

BELLSOUTH

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November 18, 1996

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

RE: CC Docket 96-98, CC Docket 96-149, and CC Docket 96-45


Dear Mr. Caton:

This is to inform you that on November 15, 1996, F. Duane Ackerman, David J. Markey, and the undersigned, all of BellSouth Corporation, with Gary Epstein of Latham & Watkins, met with Chairman Hundt, John Nakahata, Regina Keeney, Richard Metzger, Radhika Karmarkar, and Melissa Newman of the Commission concerning the above referenced subjects.

The purpose of the meeting was to discuss implementation of the Telecommunications Act of 1996. The attached charts and slides were discussed during the meetings. The discussion was consistent with BellSouth's position already filed in these proceedings.

Please associate this notification with the referenced proceedings. I am available to address questions and comments.

Sincerely,



Robert T. Blau

cc: Chairman Hundt
Regina Keeney
John Nakahata
Richard Metzger
Radhika Karmarkar
Melissa Newman

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Implementing the Telecommunications Act of 1996

- ◆ Local Interconnection Order
- ◆ Joint Marketing
- ◆ Access Reform
- ◆ Universal Service

FCC's Local Interconnection Order Will Give CLECs a Major Competitive Advantage

Georgia Multi-line Business Average Flat Rate Customer for Highest Rate Group

	Retail-	Resale @17.3%	Rebundled
Flat Rate RG 12	\$46.00	\$38.04	\$14.22(loop)
Ancillary Service	\$25.30	\$20.92	\$0.00
Vertical Service	\$5.05	\$ 4.18	\$0.00
IntraLATA Toll	\$2.99	\$ 2.47	\$0.92
InterLATA Switched Access	\$11.34	\$11.34	\$2.09
Port Charge			\$2.00
Local Usage			\$2.90
SLC	\$6.00	\$6.00	\$0.00
Total	\$96.68	\$82.95	\$22.13
<i>Difference from Retail</i>			
<i>Amount</i>		(\$13.73)	(\$74.55)
<i>Percent</i>		-14.2%	-77.1%

Notes: 1). Average revenue for vertical service and intraLATA toll computed from July 1996 data. 2). Unbundled elements use FCC proxy rates and GPSC loop price. Local Switching @ \$0.003. 3). Resale discount rate is GPSC rate for BellSouth. 4). Rates reflect the following minutes of use: IntraLATA Toll - 25 minutes; InterLATA switched access - 465 minutes; and Local Usage - 492 minutes.

Resale vs. Rebundled Discounts In BellSouth Region

	Multi-line Business		Residence	
	Resale	Rebundled	Resale	Rebundled
Alabama	-14.9%	-68.9%	-13.2%	-21.6%
Florida	-14.0%	-66.2%	-10.6%	-24.5%
Georgia	-15.8%	-75.1%	-12.7%	-27.0%
Kentucky	-14.9%	-72.0%	-13.2%	-19.0%
Louisiana	-15.0%	-69.0%	-12.5%	-14.9%
Mississippi	-15.7%	-70.1%	-13.9%	-14.4%
North Carolina	-14.3%	-67.0%	-11.3%	-11.1%
South Carolina	-14.6%	-70.2%	-13.1%	-22.8%
Tennessee	-15.7%	-73.5%	-12.9%	-16.9%
BST	-14.7%	-69.6%	-12.1%	-20.8%

Notes:

- 1). Resale discount computed using FCC proxy of 19.2%
- 2). Rebundled discounts computed using FCC proxy rates and local switching @\$0.003/min.
- 3). BST discounts wtd. by 1 pty flat rate lines in service.

Current:

Interstate Switched

CCL	\$ 686M
Switching	546M
Transport	443M
(including RIC)	_____
	1.7 B

SLC	1.0 B
\$3.50 +	
\$6.00 Multiline	_____
	\$ 2.7 B

FCC Scenario

New Access Charges:

1cent/min

Negotiated

Reduced SLC

\$1.00 B

_____ .95 B

1.95 B

0.5cents/min

TELRIC .50B

_____ .95B

1.45B

Source of Funds:

USF

Access Reform

BLS cuts jobs and/or investment

Separation Changes/

State Price Increase

(.75 B)

_____ \$2.70 B

GAP (1.25B)

_____ \$2.70B

Universal Service

- ◆ Does not appear to address \$20 B in current implicit support mechanisms
- ◆ If \$20 B subsidy is not spread equitably over all carriers, USF will not be competitively neutral
- ◆ Allocation of fund support must be based on retail revenues to be competitively neutral
- ◆ Additional new subsidy required if SLC is lowered

BellSouth End User Access Billing Proposal

- ◆ Response to Commission signals on proper interconnection pricing
- ◆ Structure:
 - Implement after universal service price adjustments
 - Price originating and terminating access at same rate as local interconnection
 - Bill remaining access revenue shortfall to originating end user as surcharge on long distance calls
 - » Offsetting toll price reductions
 - Pricing flexibility commensurate with competition

Customer Needs

Customers tell us that they want...

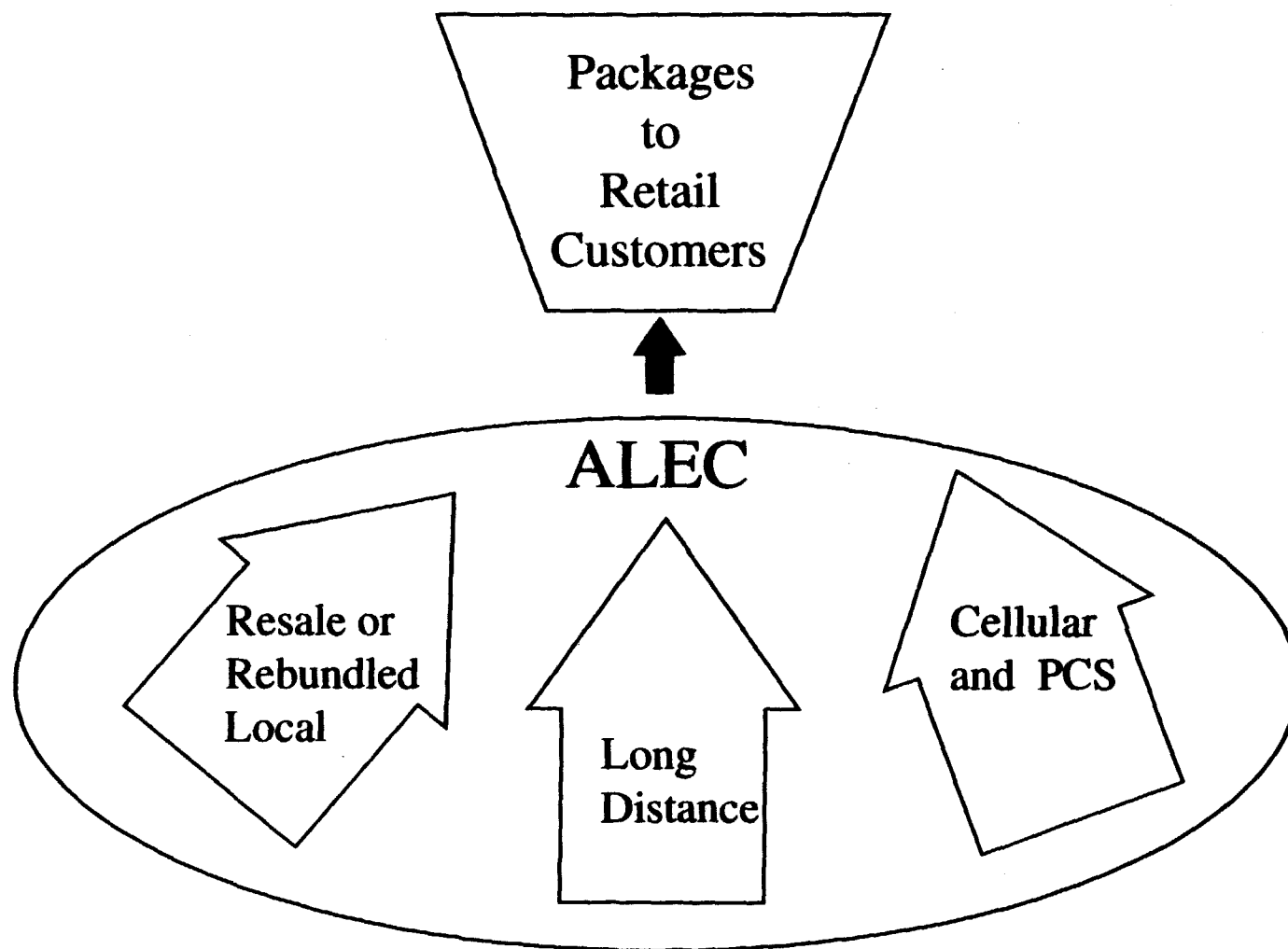
- Simplicity
- Convenience
- Choice
- Reliability



And they translate these into...

- Easy to understand plans
- One stop shopping
- Packages of services
- Discounts & pricing incentives
- Single Bill
- Single point of contact
- Dependable, well-known service provider

HOW IXCS & OTHER COMPETITORS WILL MARKET TO END USERS



Competitors' Market Strategy -- SIMPLICITY

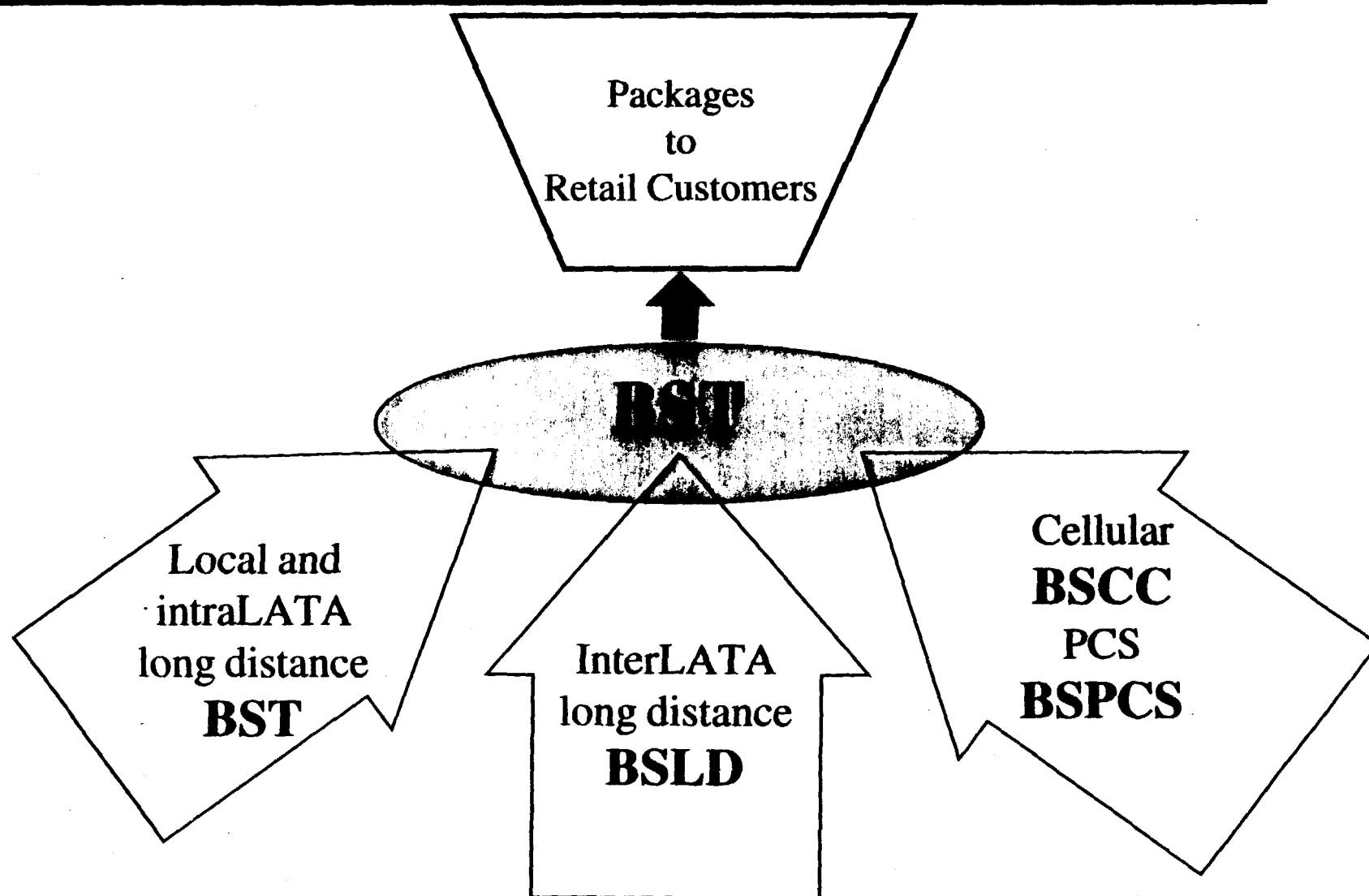
◆ AT&T.ALL

- One number to call
- One bill to pay
- All Services:
 - » Long Distance
 - » Local
 - » Internet
 - » Wireless

◆ BT/MCI ONE

- One number to call
- One bill to pay
- All Services:
 - » Long Distance
 - » Local
 - » Internet
 - » Wireless
 - » Voicemail
 - » E-Mail

HOW BST MUST MARKET TO BE COMPETITIVE



BellSouth's Joint Marketing Position

The FCC rules must allow for:

- Competitive parity as markets open (already imbalanced)
- Sales and customer support with a single bill and single contact
- Joint advertising and use of brand
- Joint development of marketing plans without affiliate restrictions
- Sharing of released customer information across affiliates